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LB's \$22M To Halt Foreclosures Couldn't Come Quick Enough

by Don Jergler | Realty Bites | 01.26.10 |

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Details on a much-needed multimillion grant to reduce the number of vacant foreclosures in Long Beach—particularly details on how and how quickly the money will be distributed—will be known very soon. And soon it looks like the city will have more than 100 new homeowners and more than 100 less vacant foreclosures thanks to the \$22 million federal grant to snatch up foreclosures.

And while soon is never soon enough, especially in the case of vacant foreclosures, perhaps the most important detail to note is that the grant is designed not to bring down the value of homes in neighborhoods, unlike a previous Department of Housing and Urban Development assistance program.

The federal Stimulus grant is to help stabilize high foreclosure areas, combat declining housing values, promote home ownership and create jobs, according to the city, which was one of 12 awardees in California. With the 22 Big Ones the city and its partners have secured more than \$113 million in stimulus funding to date, according to Dennis Thys, the city's Community Development director. The funding will be provided via HUD's Neighborhood Stabilization Program and will be administered by Community Development.

The program will benefit first-time homebuyers who qualify for a mortgage and whose income is at or below 120% of area median income. According to Thys, the city will form a consortium with Habitat for Humanity and establish financing and rehabilitation for 86 workforce households to purchase and redevelop foreclosed-upon homes. Habitat for Humanity will purchase and rehabilitate at least 25 homes that have been abandoned or foreclosed upon in order to sell, rent or redevelop these properties, Thys says.

Thys is flying to Washington, DC to a federal meeting with all of the fund recipients on Thursday to discuss the details of the program and just when the money will be received and how soon it can be put to use. "We probably won't have access to the funds for another 30-60 days," Thys says, adding that the city also has recipients lined up and approved to whom the money can go.

The first of the funds will likely go to about 50 recipients who were prequalified for the city's second mortgage purchase program before it ran out of funding, according to Thys. "Through this grant we're looking to assist about 111 individuals," he adds.

Some in the real estate industry say there needs to be some accountability for the money accumulated by the city in federal housing assistance and how and when it's being spent, and that the money needs to be put to use ASAP.

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"On paper it sounds great but they have accumulated a bunch of money and haven't done anything with it yet," says Dennis Berry, with Keller Williams Realty. "I would like to see this money put back in the economy sooner rather than later. I am glad to see them getting the funds and planning to use the money, but I am just concerned about how long it will take the money to reach the economy and see people move into the homes."

The program dictates that 20% of the funds must go to those with 50% or below the median income. Habitat for Humanity will use the funds to assist with the purchase of at least 25 properties and the remaining 75 to about 90 homes will be purchased with a silent second mortgage to make the units more affordable, Thys says. People who purchase homes through silent second program will not have to pay mortgage payments to the city, but they will pay off the loan when the home is sold. Thys estimates the costs of each of the subsidies will vary between \$50,000 and \$200,000.

The subsidies will be distributed between the very low (50% and below the area's median family income), low (50-80%) and workforce (81%-120%) level families, which is \$63,450 annual income for a family of four.

Thys notes that this program won't be run similar to the last housing stimulus program, in which HUD mandated that the city buy homes at 15% below their assessed value. HUD reversed that decision halfway through the program, when it was realized it was bringing down the value of homes in the neighborhoods.

"It's going to be acquisition of vacant, foreclosed properties at fair market value," Thys says. The only competition the program may give is to speculators who want to come in and do a few quick fixes on foreclosures and rent them out. "We're seeing a lot of speculators come in and buying the property and they're slapping a coat of paint on them and renting them out," he says.

"I think it's outstanding," Belmont Shore-based Realtor Jeremy Colonna says of the federal funding. "Homeownership is something that every family strives to achieve, but it is also a huge responsibility. I think the City of Long Beach is doing the right thing by providing both the assistance to obtain and the education to keep a home in our amazing city. The foreclosures, which continue to move into our marketplace, threaten to curtail some of the great strides that have been made in our neighborhoods. Hopefully, the city will work with Habitat for Humanity to make sure that the homes are chosen, thoughtfully with the correct goals in mind. Our Code Enforcement and Development Services departments are the best in the business, and should make sure that the money is spent in the most appropriate direction."

Long Beach area Realtor Lynda Montgomery says the money could also be used to help man's best four-legged friends. "It's all good. That money can also be used to have dog runs put on the sides of houses, which is usually wasted space," she says. "I may sound like a one-note Realtor on pets, but that is my passion and all that I care about. Homeless people contribute to homeless pets."

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In addition to the funding for purchasing the homes, the funding will also go to helping to fix up some of the homes and even making them environmentally friendly, Thys says. "We're going to be trying to make them a little bit more green," he adds.

The program will require housing counseling for families receiving homebuyer assistance funds. In addition, it will protect homebuyers by requiring grantees to ensure that new homebuyers under this program obtain a mortgage from a lender who agrees to comply with sound lending practices.



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